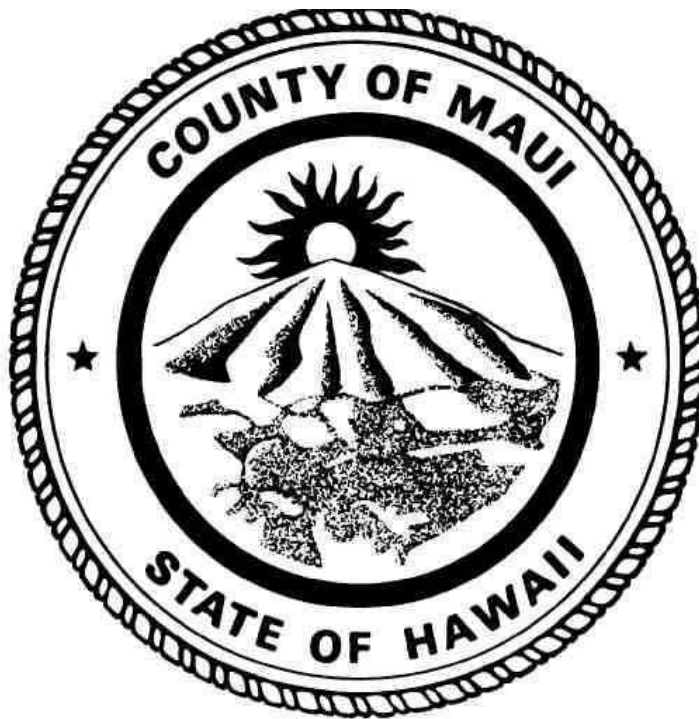


Proposed Budget • Fiscal Year 2007

Budget Overview



Fiscal Year 2007 Revenue and Expenditure Summary

This section provides a broad overview of the revenues and expenditures included in the 2006-2007 budget. Information is presented for general, special revenue and enterprise funds. General funds are of particular importance to our residents as they provide for most basic services, such as police, fire and parks. Special Revenue funds are restricted to specific uses. Enterprise funds are supported by fees charged for the services provided.

The Fiscal Year 2007 budget, financed by all sources of funds, totals \$542,213,272. As shown in the pie chart below, the General Fund portion of \$279,368,847 is approximately 52 percent of the total. Special Revenue funds, such as Highway, Wastewater, Liquor Control, Bikeway, Solid Waste, and Grant Revenue funds, represent 37 percent and the Enterprise funds, which include Water Supply fund and Golf fund, make up 11 percent of the total.

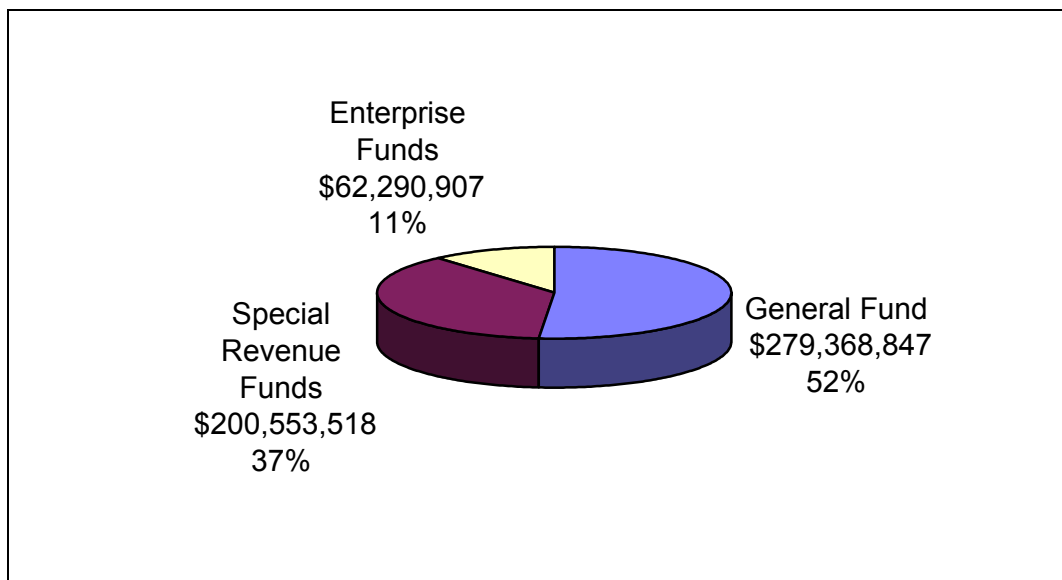
The Fiscal Year 2007 budget, financed by County funds, totals \$467,521,004. As shown in the pie chart on page 2-2, the General Fund

portion of \$279,368,847 is 60 percent of the total. The Special Revenue funds total \$125,861,250, which is 27 percent of the total. The Enterprise funds make up the balance of \$62,290,907 or 13 percent of the total.

In addition to presenting the budget by funding source, the budget also is described in terms of the major types of activities or expenditures funded. It includes salaries, operating, and equipment expenses that provide for ongoing costs of delivering county services, debt service payments to retire outstanding bonds, employee benefits, and capital improvement projects. The pie charts on the following pages show the distribution of the total budget into these types of expenditures.

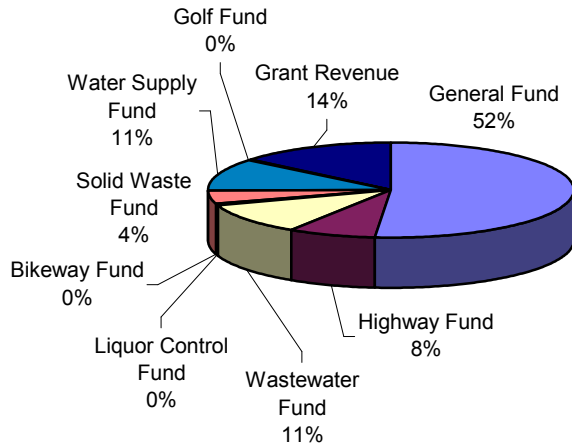
A personnel summary is also being presented on the later part of this section. The total equivalent personnel count funded by County funds for the Fiscal Year 2007 is 2,339.8, an increase of 87.9 or 4 percent as compared to the Fiscal Year 2006.

ALL SOURCES OF FUNDS
Total Resources by Fund Type
\$542.2 Million

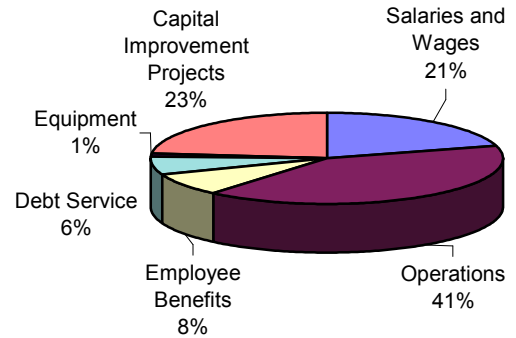


Fiscal Year 2007 Revenue and Expenditure Summary

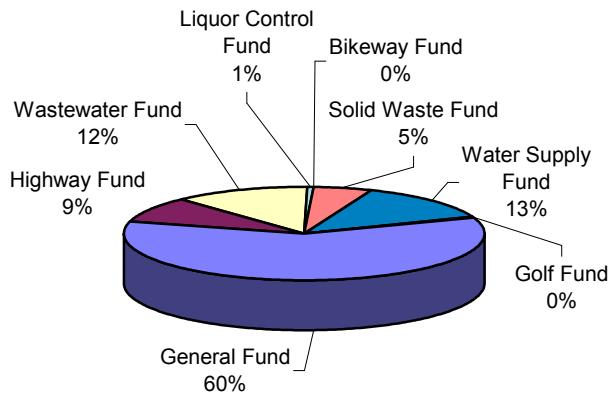
ALL SOURCES OF FUNDS
Total Expenditures by Fund Type
\$542.2 Million



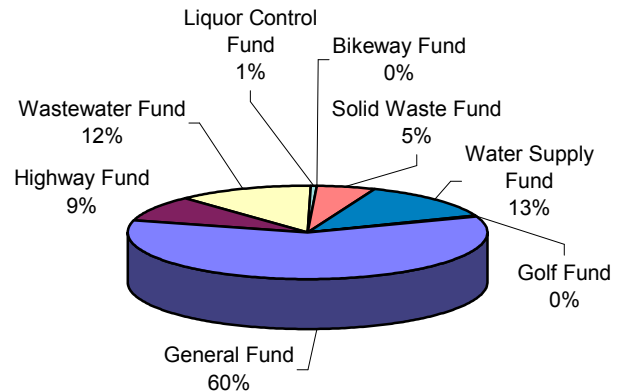
ALL SOURCES OF FUNDS
Total Expenditures by Category
\$542.2 Million



ALL COUNTY FUNDS SOURCES
Total Resources by Revenue Source
\$467.5 Million

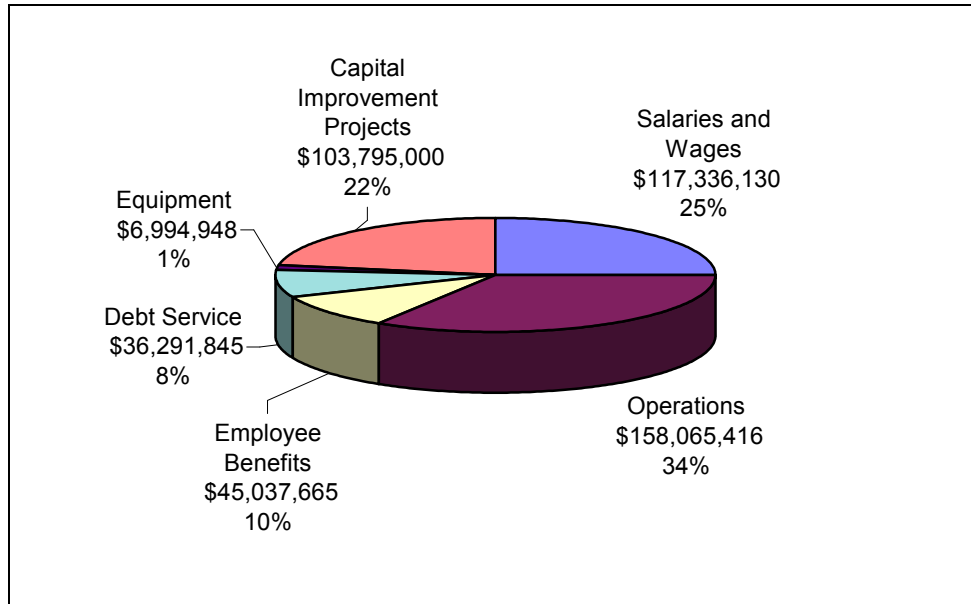


ALL COUNTY FUNDS SOURCES
Total Expenditures by Fund Type
\$467.5 Million

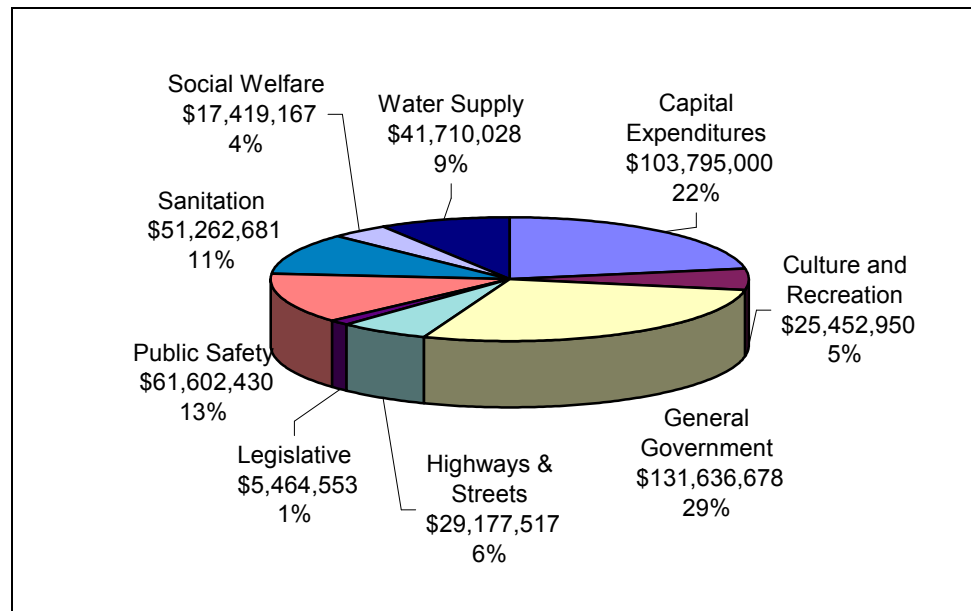


Fiscal Year 2007 Revenue and Expenditure Summary

**ALL COUNTY FUNDS SOURCES
Total Expenditures by Category
\$467.5 Million**



**ALL COUNTY FUNDS SOURCES
Total Expenditures by Functional Area
\$467.5 Million**



Fiscal Year 2007 Revenue and Expenditure Summary

Revenue and Expenditure Summary by Fund

	General Fund	Special Revenue Funds*	Enterprise Funds	Total Funds
BEGINNING FUND BALANCE	17,967,888	7,407,128	5,132,821	30,507,837
TRANSFERRED TO ESTIMATED REVENUES	(17,967,888)	(7,407,128)	(5,132,821)	(30,507,837)
ESTIMATED REVENUES				
FROM TAXES, FEES AND ASSESSMENTS:				
Real Property Taxes	200,030,372	0	0	200,030,372
Charges for Current Services	1,362,000	40,381,717	37,310,108	79,053,825
Transient Accomodations Tax	20,150,000	0	0	20,150,000
Public Service Company Tax	5,200,000	0	0	5,200,000
Licenses/Permits/Others	10,450,000	9,289,332	1,321,010	21,060,342
Fuel & Franchise Taxes	0	19,180,000	0	19,180,000
Special Assessments	1,855,000	1,200,000	8,870,000	11,925,000
Other Intergovernmental	90,000	19,050,000	0	19,140,000
FROM OTHER SOURCES				
Interfund Transfers	22,263,587	8,198,073	1,256,968	31,718,628
Bond/Lapsed Bond	0	21,155,000	8,400,000	29,555,000
Carryover/Savings	17,967,888	7,407,128	5,132,821	30,507,837
TOTAL ESTIMATED REVENUES	279,368,847	125,861,250	62,290,907	467,521,004
EXPENDITURES AND OTHER USES				
Culture and Recreation	23,552,071	0	1,900,879	25,452,950
General Government	131,636,678	0	0	131,636,678
Highways, Streets and Transportation	6,335,816	22,841,701	0	29,177,517
Legislative	5,464,553	0	0	5,464,553
Public Safety	61,602,430	0	0	61,602,430
Sanitation	0	51,262,681	0	51,262,681
Social Welfare	14,887,299	2,531,868	0	17,419,167
Water Supply	0	0	41,710,028	41,710,028
Capital Expenditures	35,890,000	49,225,000	18,680,000	103,795,000
Total Expenditures & Other Uses	279,368,847	125,861,250	62,290,907	467,521,004
ENDING FUND BALANCE	0	0	0	0

*Total amount for the Special Revenue funds does not include Grant Revenue fund.

Fiscal Year 2007 Revenue and Expenditure Summary

Fiscal Year 2007 Operating Expenditures Summary – County Funds

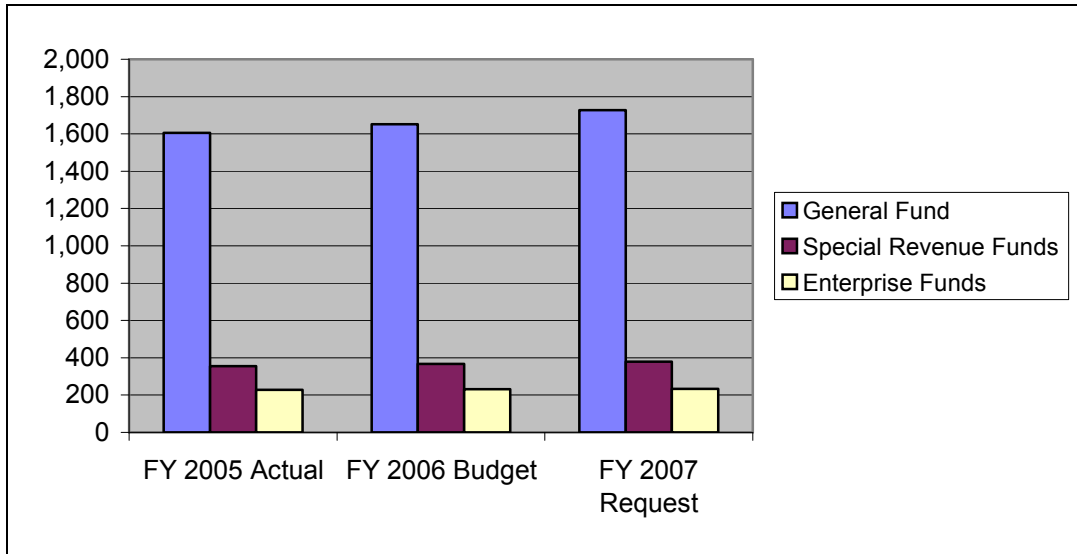
Department	Salaries	Operations	Equipment	Total Budget*
Civil Defense	246,356	137,050	80,000	463,406
Corporation Counsel	1,710,157	358,596	43,200	2,111,953
Council Services	1,934,844	2,481,735	61,500	4,478,079
County Clerk	638,124	337,550	10,800	986,474
Finance	5,206,827	2,395,141	76,250	7,678,218
Finance - Countywide*	0	86,867,315	0	86,867,315
Fire	18,162,116	3,292,698	201,000	21,655,814
Housing & Human Concerns	2,967,609	11,825,775	93,915	14,887,299
Management	2,015,288	1,236,190	1,804,892	5,056,370
Mayor	1,556,511	10,417,915	213,000	12,187,426
Parks & Recreation	13,828,770	9,146,801	576,500	23,552,071
Personnel Services	1,051,621	488,065	10,800	1,550,486
Planning	2,825,216	1,937,520	199,850	4,962,586
Police	28,931,071	5,331,042	960,650	35,222,763
Prosecutors	3,602,313	590,134	68,000	4,260,447
PW-General	4,534,383	6,577,461	110,480	11,222,324
Transportation-General	363,482	5,972,334	0	6,335,816
Total General Fund	89,574,688	149,393,322	4,510,837	243,478,847
Liquor Control	1,210,596	1,279,411	41,861	2,531,868
PW-Highways	6,511,209	11,422,342	1,274,550	19,208,101
PW-Wastewater	5,144,493	25,839,678	422,400	31,406,571
PW-Solid Waste	3,637,894	15,813,216	405,000	19,856,110
Transportation-Highways	0	3,633,600	0	3,633,600
Total Special Revenue Funds	16,504,192	57,988,247	2,143,811	76,636,250
Waiehu Golf Course	772,078	1,117,801	11,000	1,900,879
Water Supply	10,485,172	30,895,556	329,300	41,710,028
Total Enterprise Funds	11,257,250	32,013,357	340,300	43,610,907
Total All Funds	117,336,130	239,394,926	6,994,948	363,726,004

Total amount does not include budget for the Capital Improvement Program and Grant Revenue.

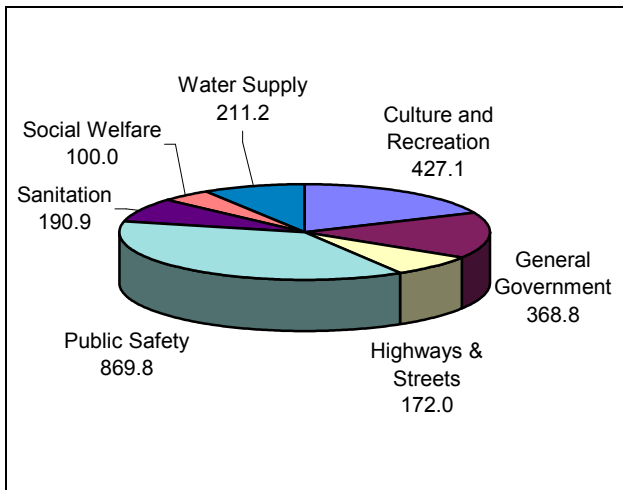
**The budget for the Countywide Costs includes insurance, debt service payments, interdepartmental transfers and unreimbursed employee benefits.*

Fiscal Year 2007 Revenue and Expenditure Summary

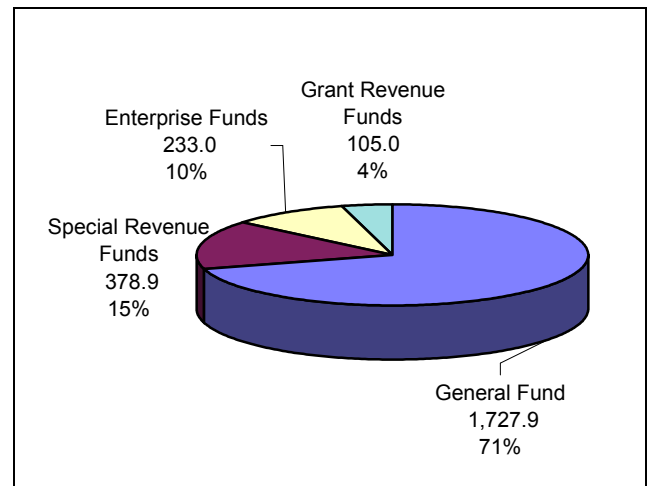
Personnel Summary Three-Year Comparison by Fund – County Funds



Personnel Summary by Functional Area – County Funds



Personnel Summary by All Sources of Funds



Fiscal Year 2007 Revenue and Expenditure Summary

Personnel Summary by Functional Area

FUNCTIONAL AREA	COUNTY PERSONNEL	GRANT PERSONNEL	TOTAL PERSONNEL
Culture and Recreation:			
Parks & Recreation	405.3	0.0	405.3
Waiehu Golf Course	21.8	0.0	21.8
Total Culture and Recreation	427.1	0.0	427.1
General Government:			
Mayor**	0.0	0.0	0.0
Management	43.0	0.0	43.0
Corporation Counsel	26.8	0.0	26.8
Finance	124.8	14.0	138.8
Personnel	18.0	0.0	18.0
Planning	56.0	6.0	62.0
PW-General*	100.2	0.0	100.2
Total General Government	368.8	20.0	388.8
Highways & Streets:			
PW-Highways	165.0	0.0	165.0
Transportation	7.0	0.0	7.0
Total Highways & Streets	172.0	0.0	172.0
Legislative:			
Council Services**	0.0	0.0	0.0
County Clerk**	0.0	0.0	0.0
Total Legislative	0.0	0.0	0.0
Public Safety:			
Police	508.9	13.0	521.9
Fire	294.0	0.0	294.0
Civil Defense	6.0	3.0	9.0
Prosecuting Attorney	60.9	14.0	74.9
Total Public Safety	869.8	30.0	899.8
Sanitation:			
PW-Solid Waste	83.6	2.4	86.0
PW-Wastewater	107.3	0.0	107.3
Total Sanitation	190.9	2.4	193.3
Social Welfare			
Housing & Human Concerns	77.0	52.6	129.6
Liquor Control	23.0	0.0	23.0
Total Social Welfare	100.0	52.6	152.6
Water Supply:			
Water Supply	211.2	0.0	211.2
Total Water Supply	211.2	0.0	211.2
TOTAL EQUIVALENT PERSONNEL	2,339.8	105.0	2,444.8

* Includes equivalent personnel from the Building Permit Revolving Fund.

** The Office of the Mayor, Council Services, and County Clerk do not report equivalent personnel.

Equivalent Personnel (E/P) = Full-time equivalents of full- and part-time personnel.

General Budget and Financial Policies

County of Maui budget and financial policies are governed by Hawaii state law, the Maui County Code, Article 9 of the Revised Charter of the County of Maui (1983) and generally accepted accounting standards. These laws and standards set budget calendar dates, provide for budget control, describe ways to amend the budget after adoption, and identify appropriate methods for budgeting, accounting and reporting.

BUDGETARY PROCESS

The fiscal year begins on the first day of July and ends on the thirtieth day of June. Each year eight budget hearings are conducted throughout the community from September through October to gain community input. These meetings are held in the evening at various locations in each community district.

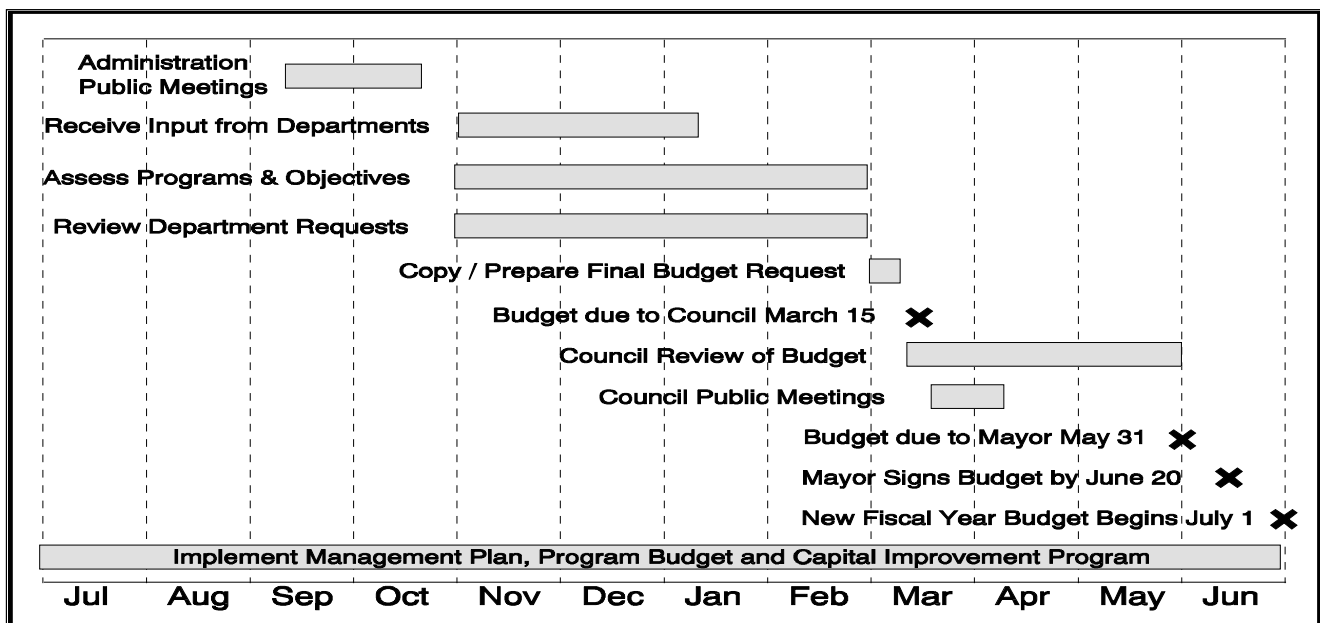
In the months following the public meetings, County departments review program priorities and submit their proposed program budget to the mayor. The Budget Office, under the Mayor's Office administration, is responsible for reviewing, analyzing, and coordinating the entire departmental budgetary requests, and presenting these requests to the mayor and his budget team for final decisions. The mayor's budget proposal is submitted to the County

Council on or before the fifteenth day of March before the ensuing fiscal year begins. The mayor must submit an operating budget, including an executive operating budget and a legislative operating budget, a capital improvement program and an accompanying message.

A public hearing must be held by the County Council on the proposed budget and capital program no sooner than the first day of April and no later than the thirtieth day of April of the year of submission. At this hearing, all persons interested will have an opportunity to be heard. At least two weeks before the hearing, the County Council must publish – in a newspaper of general circulation in the County – general summaries of the budget and capital program and a notice setting out the time and place for public hearing.

After the public hearing, the County Council may pass the budget with or without an amendment. If amending, it may add new items or increase items in the budget. It may decrease or delete items, except for appropriations required by law and appropriations to pay any indebtedness. In all cases, the estimated revenues, proposed expenditures and total appropriations for the ensuing fiscal year must be equal in amount.

BUDGET PROCESS CALENDAR



General Budget and Financial Policies

The Council must pass the budget on or before the thirty-first day of May of the fiscal year currently ending. If it fails to do so, the budget submitted by the mayor will be deemed enacted as the budget for the ensuing fiscal year. The budget is controlled by a budget ordinance and a capital program ordinance. The enacted budget will be in effect on and after the first day of the fiscal year to which it applies. By virtue of the adoption of the budget, the several amounts listed in the budget column entitled "Appropriations" must be appropriated to the specified departments and programs.

BUDGET PLANNING

The County of Maui's long range planning decisions are based on the community plan for each district of the County. In addition, comprehensive mission statements for each department and for the County as a whole are developed to clarify the purpose and focus of the County's executive departments. These statements aid in overall policy and decision making.

The Countywide mission statement forms the foundation for the County's management plan. Departmental missions are further defined by goals specific to each department's function. Goals are broad statements of intent linked to the accomplishments of the department's mission. The Countywide and departmental missions and goals guide the operating and capital expenditures of the budget. They become the foundation that establishes priorities, strategies and plans.

Short-term planning is set by objectives. Objectives state the specific contributions each department will make toward the accomplishments of its mission and goals for the current year. Programs and objectives are reviewed and updated yearly in response to changing community needs and availability of resources.

A BALANCED BUDGET IS REQUIRED

As required by Charter, the mayor must submit and the County Council must adopt a balanced budget by purpose of public expenditures. The

County defines a balanced budget as "the total estimated revenues (from taxes, fees and assessments, and other sources) shall equal the total appropriations (operating and capital expenditures)."

AMENDING THE BUDGET

The adopted budget may be amended at any time within a fiscal year. The mayor may propose to amend the budget for that year as follows:

Supplemental Transfer

A supplemental appropriation may be submitted up to the amount of the additional certified revenues. The mayor must certify that there are available for appropriation: (a) revenues received from sources not anticipated in the budget for that year, or (b) revenues received from anticipated sources but in excess of the budget estimates, or (c) estimated revenue to be reimbursed by federal or state agencies to the County.

Reduction of Appropriation

If it appears probable that the revenues available will be insufficient to meet the amount appropriated, a bill must be passed to reduce one or more appropriations; but no appropriation to pay any indebtedness may be reduced, and no appropriation may be reduced by more than the amount of the unencumbered balance or below any amount required by law to be appropriated.

Transfer of Appropriation

Unencumbered appropriation balance may be transferred within a department or from one department to another by ordinance. No transfer will be made from an appropriation to pay any indebtedness, and no appropriation may be reduced below any amount required by law to be appropriated.

Permission to Exceed Budget

An emergency appropriation may be passed in cases of public emergency threatening life, health or property. If there are no available unappropriated revenues, the County may authorize the issuance of emergency notes, which must be paid not later than the last day of the fiscal year next succeeding in which the

General Budget and Financial Policies

appropriation was made. The total of emergency appropriations in any fiscal year must not exceed one percent (1%) of the total operating appropriations (excluding the debt service) made in the operating budget for that year.

FINANCIAL REPORTING POLICY**Audit of Accounts**

Within six months after the beginning of each fiscal year, the County Council shall provide for an independent audit of the accounts and other evidences of financial transactions of the County and of all operations for which the County is responsible.

Budget Implementation Reports

A budget implementation report must be transmitted by each County agency/department within thirty days after the end of each quarter of the fiscal year. The implementation report must include: a report of each position vacant for ninety days or more as of the end of the report period; a status report of each agency/department's program objectives and performance measures; and a status report of all active capital improvement projects.

Surplus and Reserves

Any unappropriated surplus and any unencumbered balances of any appropriations in any fund at the end of any fiscal year will be available for appropriation for the succeeding fiscal year or years. All or a portion of the surplus may be transferred to any emergency fund or to a capital improvement reserve fund. No amounts transferred into an emergency reserve fund or a capital improvement reserve fund must be deducted from amounts to be raised by taxes for ensuing years.

FUND BALANCE POLICY

The County of Maui shall strive to maintain certain fund balances at 5% - 15% of General Fund Revenues to provide financial stability to County operations. These funds consist of the Unreserved General Fund Balance and Emergency Fund Balance; which will provide a prudent level of financial resources to protect against the need to reduce service levels or

raise taxes and fees due to temporary revenue shortfalls or unpredicted one-time expenditures.

The Emergency Fund was initially established in Fiscal Year 2005 with a \$4 million appropriation from the General Fund for the purposes of funding a public emergency threatening life, health, property or the economic viability of the County. The Emergency Fund Balance does not lapse and can be appropriated by County Council through an ordinance.

CAPITAL BUDGET POLICY

Capital budgets are proposed for the ensuing fiscal year and for the five years succeeding the ensuing fiscal year. The capital budget includes the estimated cost of each improvement and the proposed method of financing it. Each capital improvement project shall include a forecast of the effect the project will have on future year's operating budgets in terms of staffing and maintenance costs. The capital program is reviewed by the Department of Planning to ensure coordination with the County's community plans.

BUDGETARY BASIS AND CONTROL

Formal budgetary integration is employed as a management control device during the year. The County of Maui's budget is adopted on a modified accrual basis consistent with Generally Accepted Accounting Principles (GAAP), except that encumbrances are treated as budgeted expenditures in the year commitments are made. Accordingly, the actual expenditures on a non-GAAP budgetary basis presented in the fund financial statements represent the current year's expenditures as recorded on the modified accrual basis, plus encumbrances at the year-end, less expenditure related to amounts encumbered in the prior year.

With the modified accrual basis of accounting, revenues are recognized when they become available and measurable and expenditures as they are made. By contrast, the government-wide and proprietary fund type financial statements in the Comprehensive Annual Financial Report (CAFR) must be recorded on a full accrual basis. Under this method, revenues

General Budget and Financial Policies

are recognized when earned and expenses are recognized when goods or services have been received or a liability has been incurred.

Budgets are monitored at varying levels of classification detail. However, expenditures cannot exceed total appropriations at the department level for budgeted funds.

The budget is controlled at the following levels:

- Departments are authorized to transfer amounts between the salaries and wages, operating expenditures and equipment within the same program.
- County Council must authorize any transfer of any appropriations from one program to another.
- County Council must authorize all budget amendments that alter the total

appropriations of a particular program or line-item.

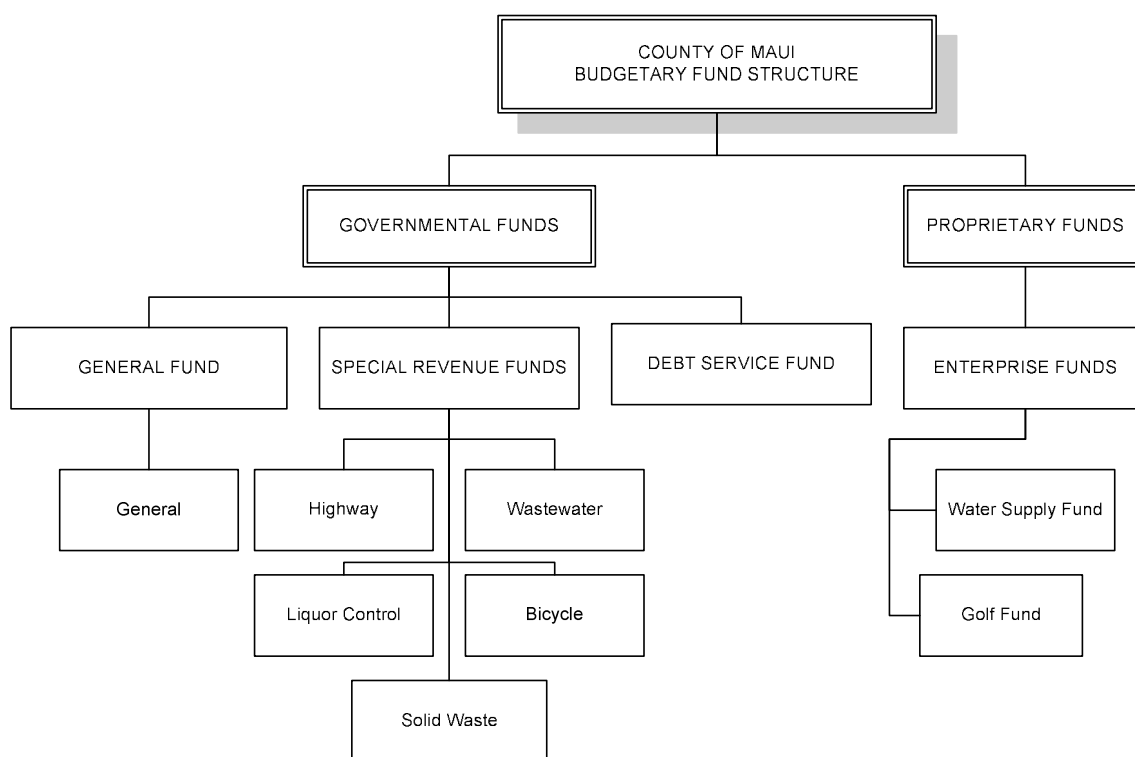
By Charter provision, every appropriation, except an appropriation for capital improvement, lapses at the close of the fiscal year unless it is expended or encumbered by a written contract. Appropriations for capital improvements lapse six months after the close of the fiscal year to the extent that they have not been expended or encumbered by a written contract.

BUDGETARY FUND STRUCTURE

The budget presented is categorized in two broad fund groups: Governmental and Proprietary.

All planned uses for these fund types are subject to appropriation in the annual budget. Fiduciary funds, which are described later in this section, are not included in the annual budget.

Overview of Fund Types



General Budget and Financial Policies**GOVERNMENTAL FUNDS**

Governmental funds are those through which most governmental functions of the County are financed. This fund is accounted for using a current financial resources measurement focus. The primary revenue sources, which have been treated as susceptible to accrual by the County, are real property taxes, fuel and franchise taxes, rents and concessions, sewer charges, landfill usage charges, grants and interest from investments.

The following is a brief summary of the County's governmental funds, by fund types: General and Special Revenue funds.

General Fund - The general fund is the largest of the County's funds. It accounts for all financial resources except those required to be accounted for in another fund. These revenues come from four major sources: Real Property Taxes, Transient Accommodation Taxes (TAT), Public Service Company Taxes, Intergovernmental revenue and other revenues. General funds are used to provide the most basic of County services: police, fire, parks, culture, economic development, and general government.

Special Revenue Fund - The special revenue fund was established to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following is a brief summary of the County's special revenue fund.

Highway Fund – The highway fund was established to deposit fuel taxes, public utility franchise taxes and motor vehicle weight taxes. These revenues are used to account for acquisition, design, construction, improvement, repair and maintenance of County highways, streets, street lights, storm drains and bridges. Revenues are also used for purposes and functions connected with mass transit.

Wastewater Fund – The wastewater fund was established to receive all revenue derived from the monthly sewer charges, assessments and

service charges for pumping of cesspools, septic tanks, etc. Revenue is expended for the repair, operation, and maintenance of the wastewater facilities/sewer systems, including debt service.

Grant Fund – The grant fund is legally restricted to expenditures for specific purposes and provides a cost sharing alternative for programs and projects. The major programs for this fund include Community Development Block Grant funds, Section 8 Rental Subsidy Program, other public housing funds, human services funds and various other smaller grant allocations. Although this fund is not part of the appropriation, the County recognizes the amount of resources that this fund provides. As such, a separate section is presented in this budget document.

Liquor Control Fund – The liquor control fund receives revenue from all liquor license fees. Fund revenues are expended for the operation and administration of the Liquor Control Commission, Liquor Control Adjudication Board, and the Department of Liquor Control.

Bikeway Fund – The bikeway fund was established to collect revenue from bicycle licenses. The revenue is expended for bikeway construction and maintenance.

Solid Waste Fund – The solid waste fund was established to receive all refuse collection fees and landfill disposal charges. The fund is used for the operation and maintenance of the County's collections and disposal program as well as for diversion programs such as resource recovery and recycling programs.

Debt Service Fund - The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term principal and interest. This fund is primarily use for capital projects. The

General Budget and Financial Policies

County's allocation of this fund is reflected on the specific funds responsible for paying the debt.

PROPRIETARY FUND

The proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Operating revenue in the proprietary funds are those revenues that are generated from the primary operations of the fund. The enterprise fund is the only existing County fund classified as the proprietary fund.

Enterprise Fund - The County's enterprise fund was established to report any activity for which a fee is charged to external users such as water and golf.

Water Supply Fund – The water supply fund was established to receive revenue for water source collected by the Department of Water Supply. The department was created to develop adequate water sources, storage and transmission for both urban and agricultural uses for the County. The revenue is expended for the operation, maintenance and capital improvements of the Department of Water Supply.

Golf Fund – The golf fund was established to account for the proceeds of playing fees and for fees from golf course concessions (restaurant and pro shop). The revenue is expended for the operation, maintenance, and capital improvements of the Waiehu Golf Course.

FIDUCIARY FUND

Fiduciary funds account for money received, held and disbursed in a trustee capacity, or as an agent for individuals, other governmental units, and other funds. The County's fiduciary funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The Agency funds are accounted for under the accrual basis of accounting. Fiduciary funds of the County include the following.

Agency Fund – The agency fund is used to account for other monies collected in an agency capacity.

The fiduciary funds are not included in the annual budget. Also, reserves and expenditures for fiduciary funds are not presented in the CAFR. However, the year-end balances held in fiduciary funds are provided in the CAFR.

Debt Management Policy

Debt management policy is a written guideline about the amount and type of debt issued by a state or local government, the issuance process, and the management of a debt portfolio. A debt management policy improves the quality of decisions, provides justification for the structure of debt issuance, identifies policy goals, and demonstrates a commitment to long-term financial planning, including a multi-year capital plan. Adherence to a debt management policy signals to rating agencies and the capital markets that a government is well managed and should meet its obligations in a timely manner.

GENERAL INTENT OF DEBT POLICY

Debt is only to be incurred when necessary. The County will confine long-term borrowing to capital assets or equipment that cannot be financed from current financial resources. In an effort to conserve debt capacity, the County shall borrow only when necessary and utilize pay-as-you go financing to the extent possible. Debt is not to be used for operational needs.

Debt financing may include general obligation bonds, revenue bonds, lease/purchase agreements, special obligation bonds, or any other financing instrument allowed under the Hawaii statutes. The County will seek to utilize the least costly/most appropriate form of financing for its capital project needs.

When practical, the County will develop, authorize and issue revenue, special fee, or other self-supporting debt instruments instead of general obligation bonds.

DEBT LIMIT

Statutory: The creation of general debt by the counties in the state is governed by the Constitution of the state, the applicable provisions of the Hawaii Revised Statutes (HRS) and, in the case of the County, by the County Charter. Chapter 47, HRS, is the general law for the issuance of general obligation bonds of the counties, and sets forth the provisions relating to the issuance and sale of general obligation bonds, inclusive of details such as method of authorization, maximum maturities, maximum interest rates, denominations, method of sale,

form and execution of such bonds, prior redemptions, refunding, and other matters.

Financial limits: In addition to statutory limits, the County will use an objective, analytical approach to determine the amount of debt to be considered for authorization and issuance through the use of key debt ratios. This process involves the comparison of generally accepted standards of affordability to current County values.

Ratio of Annual Debt Service to General Fund Expenditures should not exceed 12%.

- *Ratio of Net Bonded Debt to Assessed Property Value* shall not exceed 15% in accordance with state law.
- *Net Bonded Debt Per Capita* should not exceed \$2,500 per capita.
- *Debt Service Coverage Ratio* for the water supply fund should be between 1.15% and 1.25%.

DEBT STRUCTURING PRACTICES

The Constitution of the state provides that all general obligation bonds shall be in serial form maturing in substantially equal installments of principal, or maturing in substantially equal installments of both principal and interest. The first installment of principal must mature not later than five years from the date of issue of such series, and the last installment must mature not later than twenty-five years from the date of such issue; except that the last installment on general obligation bonds sold to the federal government, on reimbursable general obligation bonds, and on bonds constituting instruments of indebtedness under which a county incurs a contingent liability such as guarantor, must mature not later than thirty-five years from the date of issue of such bonds.

The time of the sale will be determined based on legal requirements, existing cash balances from previous financings, acquisition and construction cash draw down requirements, and expectations of needs for new projects to be funded by the financing.

DEBT ISSUANCE PRACTICES

Method of Sale: The County shall select a method of sale that shall maximize the financial

Debt Management Policy

benefit to the County. Such sales can be competitive or negotiated unless otherwise limited by state law, depending upon the project and market conditions. The selected method of sale shall be the option which is expected to result in the lowest cost and most favorable terms given the financial structure used, market conditions and prior experience.

Refunding of Outstanding Debt: The County will monitor the municipal bond market for opportunities to obtain interest savings by refunding or advance refunding outstanding debt. The estimation of net present value savings should be, at a minimum, in the range of 2.5 – 3% of the refunded maturities before a refunding process begins.

Selection and Use of Professional Service Providers: The County will provide a solicitation and selection process for securing all professional services required in connection with any debt issues. This selection will be done on an issue-by-issue basis, will focus on the particular experience and expertise necessary for that issue, and will be made in order to secure such services at competitive prices to the County.

Use of Bond Ratings and Credit Enhancement: The County shall strive to maintain good communications with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the County and will follow a policy of full disclosure on every financial report and offering statement.

Undesignated Fund Balance – The County shall strive to maintain undesignated balance in the general fund at a level sufficient to meet its budgeted goals, to be determined annually. The amount of undesignated fund balance maintained during each fiscal year should not be less than five percent (5%) of budgeted general fund operating expenditures that fiscal year.

To the extent that the undesignated fund balance exceeds the budgeted goals, the County could consider drawing upon the balance to fund major equipment purchases or one time expenses on a pay-as-you-go-basis.

DEBT MANAGEMENT PRACTICES

Investment of Bond Proceeds – The County will invest bond proceeds in accordance with the Hawaii Revised Statutes (46-50). Funds will be invested in instruments that will provide liquidity required to meet the cash flow needs of each project funded.

Arbitrage Rebate and Secondary Market Disclosure Requirement – The County will comply with all arbitrage rebate requirements as established by the Internal Revenue Service and all secondary market disclosure requirements established by the Securities and Exchange Commission. Arbitrage will be calculated at the end of each fiscal year and interest earned on investment of bond or installment purchase proceeds will be reserved for any penalties due.

Reporting, Monitoring, and Assessment of Policy Implementation – The Director of Finance is responsible for the administration and issuance of debt including the completion of specific tasks and responsibilities included in this policy.

The Department of Finance, Treasury Division will prepare and release an Annual Debt Report no later than May 31 of each year. Such report will pertain to the prior fiscal year, and will including the following elements:

- Calculations of the appropriate ratios and measurements necessary to evaluate and compare the County's credit with acceptable municipal rating agency standards as management shall deem appropriate;
- Information related to any significant events affecting outstanding debt;
- An evaluation of savings related to any refinancing activity;
- A summary of any changes in federal or state laws affecting the County's debt program; and
- A summary statement as to the overall status of the County's debt obligations and debt management activities.

Debt Status

DEBT ADMINISTRATION

As of June 30, 2005, the County of Maui, including the Department of Water Supply (DWS), had seventeen (17) general obligation bond issues, one (1) note payable, along with eleven (11) State Revolving Fund (SRF) loans outstanding totaling \$272.1 million.

Total debt service for these issues over the next twenty (20) years amounts to \$363.5 million.

During the 2004-05 fiscal year, \$59.3 million in general obligation bonds were issued, which included refunding bonds of \$38.3 million.

Date of Issue	Original Issue	Outstanding Principal	County	DWS
General Obligation Bonds				
September 1, 1982	\$ 1,500,000	\$ 781,500	\$ 781,500	\$ 0
DWS - December 15, 1993	27,940,000	11,965,000	0	11,965,000
May 1, 1998	20,700,000	12,190,000	12,190,000	0
May 1, 1998	4,255,000	2,860,000	2,860,000	0
DWS - August 1, 1998	3,230,000	825,000	0	825,000
May 15, 2001	23,485,000	20,095,000	20,095,000	0
September 1, 2001	29,880,000	24,435,000	24,435,000	0
May 1, 2002	25,000,000	24,050,000	24,050,000	0
September 1, 2002	13,550,000	11,450,000	11,450,000	0
September 1, 2002	12,402,689	11,517,960	11,517,960	0
DWS - September 1, 2002	312,311	212,040	0	212,040
June 1, 2003	38,489,858	31,802,189	31,802,189	0
DWS - September 1, 2003	2,635,142	1,927,811	0	1,927,811
March 13, 2004	15,165,000	14,235,000	14,235,000	0
DWS - March 13, 2004	7,945,000	7,945,000	0	7,945,000
January 2005	50,485,000	50,485,000	50,485,000	0
DWS - 2005	8,815,000	8,815,000	0	8,815,000
		235,591,500	203,901,649	31,689,851
State Revolving Fund Loans				
92SRF LAH DES 54-04		200,029	200,029	0
93SRF WAI/KAH 52-14		2,465,609	2,465,609	0
95SRF LAH CON 54-05		3,711,323	3,711,323	0
96SRF LAH P#3 54-07		1,657,511	1,657,511	0
96SRF KIH IIB 77-06		5,697,096	5,697,096	0
96SRF KIH RCD 77-09		2,276,973	2,276,973	0
98SRF LAH P17 54-17		432,810	432,810	0
01SRF KUHUA C 54-14		1,435,555	1,435,555	0
02SRF LAH SLD 54-20		1,140,838	1,140,838	0
03SRF WK MOD II 52-16		10,536,460	10,536,460	0
SRF DW213-0001		6,076,201	0	6,076,201
		35,630,405	29,554,204	6,076,201
Other Note Payable				
Note Payable to Municipal Services Group, Inc.		861,485	0	861,485
		\$ 272,083,390	\$ 233,455,853	\$ 38,627,537

Debt Status

LEGAL DEBT MARGIN AS OF JUNE 30, 2005

As stated in the earlier part of this section, the Constitution of the State of Hawaii sets the debt limit of the County at 15% of the net taxable assessed valuation of real property in the

County of Maui. The assessment roll for the fiscal year ended June 30, 2005 was at \$22.8 billion giving the County a legal debt margin of approximately \$3.2 billion.

Schedule of Debt Service Requirements to Maturity for General Long-term Debt at June 30, 2005:

Fiscal Year Ending	County			DWS			Combined Total
	Principal	Interest	Total	Principal	Interest	Total	
2006	\$ 17,041,713	\$ 10,302,248	\$ 27,343,961	\$ 4,030,356	\$ 1,720,850	\$ 5,751,206	\$ 33,095,167
2007	17,744,621	9,434,171	27,178,792	3,938,855	1,463,123	5,401,978	32,580,770
2008	18,067,774	8,729,502	26,797,276	4,968,885	1,242,799	6,211,684	33,008,960
2009	18,315,435	8,024,844	26,340,279	5,492,246	1,021,728	6,513,974	32,854,253
2010	17,549,823	7,335,030	24,884,853	5,433,536	767,278	6,200,814	31,085,667
2011	18,266,942	6,594,170	24,861,112	2,829,738	591,387	3,421,125	28,282,237
2012	15,449,312	5,856,438	21,305,750	2,915,941	493,003	3,408,944	24,714,694
2013	16,083,351	5,207,618	21,290,969	1,267,518	414,772	1,682,290	22,973,259
2014	13,855,912	4,483,519	18,339,431	1,303,926	365,013	1,668,939	20,008,370
2015	12,571,492	3,877,021	16,448,513	1,355,522	300,585	1,656,107	18,104,620
2016	11,791,922	3,282,162	15,074,084	1,407,172	233,638	1,640,810	16,714,894
2017	11,431,754	2,701,014	14,132,768	1,449,066	175,620	1,624,686	15,757,454
2018	11,865,280	2,142,006	14,007,286	1,510,934	104,015	1,614,949	15,622,235
2019	8,442,364	1,588,677	10,031,041	457,950	29,286	487,236	10,518,277
2020	7,859,665	1,167,505	9,027,170	265,892	6,398	272,290	9,299,460
2021	6,791,075	794,429	7,585,504	0	0	0	7,585,504
2022	5,153,718	468,701	5,622,419	0	0	0	5,622,419
2023	1,893,699	246,722	2,140,421	0	0	0	2,140,421
2024	1,600,000	164,000	1,764,000	0	0	0	1,764,000
2025	1,680,000	84,000	1,764,000	0	0	0	1,764,000
TOTAL	\$ 233,455,852	\$ 82,483,777	\$ 315,939,629	\$ 38,627,537	\$ 8,929,495	\$ 47,557,032	\$ 363,496,661